

DOJ 15110
2.W56-4
Copy 1

GUIDE TO WORKFORCE PLANNING

S. C. STATE LIBRARY

AUG 24 2005

STATE DOCUMENTS

Karl M. McCottry
Budget & Control Board
Office of Human Resources
803-737-0946

kmccottr@ohr.state.sc.us

Certified Public Manager Program – 2005 Class
May 13, 2005

CONTENT

Introduction	3
What is workforce planning?	5
Why Workforce Planning is Important	7
Steps In Conducting Workforce Planning	9
Bibliography	17

INTRODUCTION

Workforce planning has become the greatest challenge faced by organizations today. We continue to hear about the imbalances between work that needs to be performed and the availability of skilled workers. The down sizing that occurred over the last several years, particularly in the public sector, was done with little strategic thinking, planning or foresight for the future. We must continue to find innovative ways to enable, motivate and inspire people to perform at their highest levels, accomplish our business, and serve our customers well.

Workforce planning, as a tool, has become one of the best strategies for improving our organizations as it forces us to think strategically about how to align people to our business. We know that human resource professionals must play more strategic roles in ensuring that human capital issues remain a priority. Workforce planning provides such an opportunity for the human resource professional to serve in the strategic roles of Leader, Change Agent, and Business Partner. Hopefully, this Guide will provide some help in meeting the challenges faced by public sector human resource professionals at all levels of government.

Government faces even greater challenges than the private sector in finding solutions for skilled labor shortages resulting from today's changing demographics. Traditional human resource approaches no longer offer the solutions that are needed. Workforce planning can equip us to meet this challenge. Effective workforce planning requires strong executive leadership; clearly articulated vision, mission, and strategic objectives;

and cooperative, supportive efforts by staff in several functional areas. To make workforce planning succeed, human resource professionals will be called upon to master new roles as leaders, business partners and change agents.

Workforce planning, when done right, can be a powerful tool to help public sector organizations meet their human capital needs and achieve business objectives.

What Is Workforce Planning?

For purposes of this guide, the following definition has been adopted: Workforce planning is a systematic process for identifying the human capital required to meet agency mission, goals and objectives and developing the strategies to meet these requirements. This definition addresses key aspects for public sector human resource professionals.

There is no one set model of workforce planning, nor is it a static process. Many public and private organizations have developed models for workforce planning. However, aside from variations in terminology, the processes are very much alike. Essentially, all models rely on following basis:

- Analyzing present workload, workforce, and competencies.
- Identifying workload, workforce, and competencies needed for the future.
- Comparing the present workload, workforce, and competencies to future needs to identify gaps and surpluses.
- Preparing and implementing plans to build the workforce needed for the future.
- Evaluating the success of the workforce planning model to ensure it remains valid and objective are being met.

Workforce planning addresses the staffing implications of strategic and operational plans, including managed movements of employees in, out and within an organization. Therefore, workforce planning affects the full range of human resource activities: recruiting, hiring, classification, compensation, promotion, transfer, redeployment,

attrition, retention, succession planning, employee training and development, etc. In other words, effective workforce planning is a continuous process that ensures an agency has the right number of people in the right jobs at the right time.

Why Workforce Planning Is Important

It's a cliché but it remains true that an organization's most important asset is its people. Without the right people, it is unlikely that even the most comprehensive financial and business plans will deliver the change in performance being demanded of government today. The vast majority of an organization's improvement comes when the right people with the right knowledge, skills and behaviors are deployed appropriately throughout the organization.

Changes in demographics paint a compelling picture for workforce planning because there are 70 million Baby Boomers and only 40 million Generations X-ers behind them. Therefore, the basic question all organizations should be asking is, "Who will do our work?"

Agencies that are unprepared face a difficult challenge in attracting, developing, and retaining a workforce that will be competent to address new objectives, new technology, and new business requirements. If done correctly, workforce planning allows agencies to build and shape a workforce prepared to achieve strategic objectives. Specifically, workforce planning provides agencies with many benefits. It allows for a more effective and efficient use of workers. This will become increasingly important as some agencies find themselves having to do the same amount of work or more with fewer staff members. It helps ensure that replacements are available to fill important vacancies. Filling vacancies is especially critical as organizations face an increasing number of workers eligible for retirement, combined with labor market shortages and limited

compensation levels. It provides realistic staffing projections for budget purposes. Realistic projections are very helpful when justifying budget requests to the Legislature. It provides a clear rationale for linking expenditures for training and retraining, development, career counseling, and recruiting efforts. It helps maintain or improve a diversified workforce. It helps an agency prepare for restructuring, reducing, or expanding its workforce.

Steps In Conducting Workforce Planning

Workforce planning naturally complements and is a follow-up to strategic planning. Just as strategic planning helps agencies map where they are, where they are going, and how they plan to get there, a workforce plan lays out the specific tasks and actions needed to ensure an agency has the resources to accomplish its mission. One of the main purposes of workforce planning is to ensure that an agency has the necessary workers to support its mission and strategic plan. Management leadership and support are essential at all phases of workforce planning. Assuming this support is in place, there are four major steps to conduct workforce planning.

Step 1 – Scan of the Environment (SWOT)

Environmental scanning is conducted to help your organization shape its workforce plan in response to rapid workforce changes. Such scanning enables you to review and analyze internal and external Strengths, Weaknesses, Opportunities and Treats (SWOT analysis). Environmental scanning addresses external and internal factors that will affect short-term and long-term goals.

1. External Environment

Opportunities and threats created by key external forces that affect your entire organization should be examined, such as demographics, economics, technology, political/legal and social/cultural factors (relative to employees, customers and competitors). Environmental scanning will help you, as a human resource manager, understand recruitment and retention approaches and strategies competitors currently use to attract hard-to-find specialists.

2. Internal Factors

While it is important to identify threats and attractive opportunities in the external environment, it is even more critical to ensure the people and competencies are in place to meet those treats and take advantage of those opportunities. Your organization needs to evaluate periodically its internal strengths and weaknesses. After you examine external forces, you will want to do an internal assessment of what the organization can do before you reach a decision on what it should do. You will need to identify internal strengths and weakness. Information that you will gather relates to capabilities, including current workforce skills, retirement patterns, and demographic profiles of current employees.

3. SWOT Analysis

A SWOT analysis brings together the external and internal information to develop strategies and objectives. The SWOT analysis develops strategies that align organization strengths with external opportunities, identifies internal weaknesses, and acknowledges threats that could affect an organization's success.

Step 2 – Supply and Demand Analysis

This critical next step looks at the composition of your workforce (the supply of human capital) and the additional people and competencies you will need (the demand for human capital). Using the SWOT analysis developed in Step 1, your organization can assess supply and demand by factoring workload, workforce and competencies.

1. Supply Analysis

Supply analysis focuses on the specifics of an agency's existing workforce and projects future workforce supply. This step involves (1) creating a current workforce profile, (2) reviewing trend data, and (3) projecting future workforce supply. A profile of its existing workforce helps an agency understand where it is in terms of the right number of people with the right skills. Analysis of the current workforce can include:

- Number of employees and contracted workers
- Skill assessment of employees
- Salary and contract workforce expenditure data
- Workforce diversity (age, gender, and race)
- Retirement eligibility statistics
- Location

Of the items above, all but the skill assessment should be readily available to agencies through employee payroll records, employee files, and various human resources databases. Next, agencies should look at trend data, which provides a picture of what occurred in the past. It can also help an agency predict the supply of skills that may be available in the future. Examples of trend data include:

- Hiring patterns (time required to fill vacancies, average number of vacancies in a year, etc.).
- Retirement patterns.
- Employee turnover statistics.

It may be helpful to break down the trend analysis by agency divisions or by occupational groups. Looking at trend data will help an agency project future workforce supply. It will also help an agency apply assumptions about how the variables listed above will influence the future workforce. Trend information combined with the current workforce profile is an essential building block for forecasting workforce supply.

2. Demand Analysis

Demand analysis identifies the workforce needed to carry out the mission of an organization. The focus of this step should be on the functions that an organization must perform and not just on the people. One reason this step is separated from the supply projections is to ensure that changes in functions are considered. These changes might have a significant impact on the size and kind of workforce that will be needed in the future. This step may provide one of the greatest benefits in workforce planning because it offers the chance for an agency to re-examine long-standing assumptions about the purpose and direction of its programs in light of changes that are taking place in the external environment. Results include a forecast of the numbers of employees needed in the future (for example, 1 to 5 years out) and the skills workers will need. Two ways to determine future functional requirements are through environmental scanning and organizational analysis. Environmental scanning is the process of examining external trends to obtain a better understanding of what is happening in the environment in which the agency operates. There are several approaches to environmental scanning. The scan should include trends and issues in the economic, social, technological, legal, and political areas. It is important to track the legislative and appropriations processes to identify factors that may

change the agency's mission or program priorities. It is also important to track the changing composition of the workforce and shifting work patterns including demographics, diversity, outsourcing, and growing and vanishing occupations. An organizational analysis should include internal factors such as strategic objectives, business functions, and technology. Once the "what" and "how" of future work are determined, the next step is to identify the skills employees need to carry out that work. The future workforce profile shows the number of workers and the set of worker skills needed for the agency's future workforce.

Step 3 - Gap Analysis

Gap analysis is the process of comparing the workforce supply projection to the workforce demand forecast. An analysis should consider the composition of the workforce, including demographic characteristics, geographic location, size, and employee skill level. The agency will eventually establish workforce strategies based on the results of this analysis. Analysis results will show one of the following:

A gap (when projected supply is less than forecasted demand), which indicates a future shortage of needed workers or skills.

A surplus (when projected supply is greater than forecasted demand), which indicates a future excess in some categories of workers and may require action. The surplus data may represent occupations or skills that will not be needed in the future or at least not needed to the same extent.

Step 4 – Action Plan

The final step in workforce planning involves the development of strategies to address future gaps and surpluses. Strategies include the programs, policies, and practices that assist agencies in recruiting, developing, and retaining the critical staff needed to achieve program goals. A wide range of strategies exists for attracting and/or developing staff with needed skills and dealing with workers or skills no longer needed in an organization. Once an agency identifies a workforce gap, it needs to develop and implement effective strategies to fill the gap. Such strategies include outreach recruitment, contract worker attainment, staff training, and succession planning. Critical gaps should be analyzed with care to ensure that timely action is taken before these gaps become a problem for the organization. Several factors influence which strategy or, more likely, which combination of strategies should be used. Some of these factors include, but are not limited to, the following:

- Time - Is there enough time to develop staff internally for anticipated vacancies or new skill needs, or is special, fast-paced recruitment the best approach?
- Resources - What resources (for example, technology, Web sites, structured templates, and sample plans) are currently available to provide assistance, or must resources be developed?
- Internal depth - Does existing staff demonstrate the potential or interest to develop new skills and assume new or modified positions, or is external recruitment needed?

- "In-demand" skills - What competition exists for future skills that are needed? Will the agency need to recruit for these skills or develop them internally?
- Job classification - Do presently used job classifications and position descriptions reflect future functional requirements and skills?
- Reorganization - Will some divisions need to be reorganized to meet business needs and strategic objectives?

Implementation brings your workforce plan to life. You may need a separate action plan to address the implementation of each strategy in the workforce plan. Before implementing the plan, agencies should consider:

- Ensuring that there is executive support for the Plan.
- Allocating necessary resources to carry out workforce strategies.
- Clarifying roles and responsibilities in implementing strategies. This includes identifying who is involved in implementing what and identifying the need for coordination among different parts of the organization or with different agencies.
- Establishing time lines.
- Defining performance measures/milestones and expected deliverables.
- Communicating the plan.

The workforce plan should be implemented in connection with the requirements of the organization's strategic plan. If the strategic plan changes due to unanticipated customer, leadership, or legislative changes, adjustments to workforce plan strategies may be necessary.

Ongoing evaluation and adjustments are imperative in workforce planning and are keys to continuous improvement. Although a workforce plan should cover five years, it should be reviewed annually. If an agency does not regularly review its workforce planning efforts, it runs the risk of failing to respond to unanticipated changes. Consequently, agencies should establish a process that allows for a regular review of workforce planning efforts in order to:

- Review performance measurement information.
- Assess what's working and what's not working.
- Adjust the plan and strategies as necessary.
- Address new workforce and organizational issues that occur.
- Agencies should ask themselves the following questions to determine whether or not the plan needs revisions:
 1. Have agency strategies changed?
 2. Are the assumptions used in both the demand and supply models still valid?
 3. Have there been changes that would cause the strategies to need revision?

Bibliography

Texas State Auditor's: Office Workforce Planning Guide
www.hr.state.tx.us/workforce/guide.html

International Personnel Management Association: Workforce Planning Resource Guide for Public Sector Human Resource Professionals. Alexandria, Virginia 2002.

U.S. Department of Health & Human Services: Building Successful Organizations Workforce Planning in HHS www.hhs.gov/ohr/workforce/wfpguide.html

State of Washington Department of Personnel: Workforce Planning Guide
<http://hr.dop.wa.gov/workforceplanning/wfpguide.htm>